

Message Text

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ACTION AID-59

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-08 IO-14 CIAE-00
L-03 EA-12 ABF-01 IGA-02 DODE-00 OIC-02 H-02
/126 W
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R 022112Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 5229
INFO AMEMBASSY ISLAMABAD

UNCLAS SECTION 01 OF 02 PARIS 03330

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AIDAC

TO ADLER FROM SULLIVAN

E.O. 11652: N/A
SUBJECT: TARBELA DAM REPAIRS PLEDGING SESSION

1. SUMMARY: APPROXIMATELY ALL OF THE \$90 MILLION WHICH THE WORLD BANK ESTIMATES IS NECESSARY FROM WESTERN DONORS FOR PAKISTAN'S TARBELA DAM REPAIRS WAS PLEDGED TODAY AT A SESSION IN THE BANK'S PARIS HEADQUARTERS. THE UNITED STATES DID NOT PLEDGE. END SUMMARY

2. ATTENDING THE WORLD BANK-CHAired MEETING ON TARBELA WERE CANADA, GERMANY, AUSTRALIA, U.K., ITALY, FRANCE, AND THE KUWAIT FUND (AS OBSERVERS ONLY). FIRM PLEDGES WERE MADE BY THE BANK (\$35 MILLION IN IDA FUNDS), CANADA (\$10 MILLION), U.K. (\$19 MILLION), AND BY TELEGRAM, THE DUTCH (\$10 MILLION). LESS CERTAIN, BUT STILL EXPECTED TO PLEDGE WERE AUSTRALIA (\$1 MILLION), WEST GERMANY (\$7 MILLION) AND ITALY. ALTHOUGH THE BANK HAS BEEN PRESSURING ITALY TO PLEDGE \$15 MILLION TO THE REPAIRS, THE ITALIAN DELEGATE INDICATED THAT HIS GOVERN-

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MENT'S CONTRIBUTION WOULD NOT GO THAT HIGH. OF THE TOTAL \$150 MILLION NEEDED IN FOREIGN EXCHANGE, THE REMAINING \$60 MILLION IS TO COME FROM OPEC SOURCES, MOST OF IT FROM SAUDI ARABIA WITH EXPECTED CONTRIBUTIONS FROM ABU DABI AND THE KUWAIT FUND. THE DELEGATION FROM THE LATTER, HOWEVER, REFUSED TO MAKE ANY COMMITMENT. LOCAL CURRENCY COSTS OF FROM \$70-80 MILLION ARE TO BE MADE UP

BY THE PAKISTANIS.

3. NOT ATTENDING WERE THE JAPANESE (ON GROUNDS THE PAKISTANIS HAD NOT ASKED THEM) AND THE ADB. FRANCE ATTENDED BUT DID NOT PLEDGE, PLEADING ITS CURRENT LEGAL PROBLEMS WITH PAKISTAN OVER THE SHAMSU DAM. THE U.S. CITED LACK OF LEGAL AUTHORITY TO PLEDGE. (SEE COMPLETE STATEMENT BELOW.) THE PAKISTANIS WERE REPRESENTED BY THE BANK AND DID NOT ATTEND.

4. OTHER MATTERS BROUGHT TO LIGHT AT THE MEETING WERE:

THE BANK'S ENGINEERING CONSULTANT WAS UNWILLING TO GIVE STRONG ASSURANCES THAT \$150 MILLION FOR TARBELA REPRESENTED A PERMANENT SOLUTION TO THE TROUBLES OF THAT STRUCTURE. HOLDING ACTIONS ARE CURRENTLY BEING WAGED TO PREVENT FURTHER DAMAGE TO THE EXISTING STRUCTURE WHILE ANSWERS ARE SOUGHT FOR UNSOLVED ENGINEERING PROBLEMS.

THE BRITISH, BACKED BY THE AUSTRALIANS AND GERMANS HAVE ASKED FOR AN INDEPENDENT APPRAISAL OF "WHAT WENT WRONG WITH TARBELA?" BY A PANEL OF INTERNATIONAL EXPERTS. OBJECTIVE IS NOT TO AFFIX BLAME, BUT TO PREVENT FUTURE DAM FIASCOS.

THE BANK FORECAST PROJECTED NEEDS FOR FOREIGN EXCHANGE EXPENDITURES IN THE PROJECT AS FOLLOWS: CY 1978, UNCLASSIFIED

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\$25 MILLION; CY 1979, \$60 MILLION; CY 1980, \$50 MILLION; CY 1981-1982, \$20-25 MILLION.

5. FYI: BECAUSE OF GRAVE CONCERN EXPRESSED BY THE GERMAN DELEGATE ABOUT THE U.S. PUBLIC POSTURE, SULLIVAN EXPLAINED IN GENERAL TERMS THE UNANNOUNCED CONSTRAINTS ON A U.S. PLEDGE TO PAKISTAN AT THE PRESENT TIME. THE GERMAN DELEGATE, WHO EARLIER HAD THREATENED TO PULL OUT OF THE MEETING, WAS UNDERSTANDING AND STAYED TO PLEDGE. SULLIVAN ALSO INDICATED TO THE GERMAN DELEGATE AND TO BLOBEL THAT THE U.S. MIGHT CONSIDER PLEDGING UP TO \$40 MILLION IN MONDALE RUPEES FOR LOCAL CURRENCY COSTS ON TARBELA SHOULD THIS SITUATION WARRANT IN THE FUTURE.

6. THE COMPLETE STATEMENT OF THE U.S. DELEGATE FOLLOWS:

"THANK YOU, MR. CHAIRMAN.

"I WOULD LIKE TO BEGIN BY NOTING THE UNITED STATES

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HAS, IN THE PAST, BEEN A HEAVY CONTRIBUTOR TO THE INDUS BASIN DEVELOPMENT FUND, OF WHICH THE TARBELA DEVELOPMENT FUNDS WERE A SUBORDINATE PART. THE TOTAL U.S. CONTRIBUTION HAS BEEN 727.6 MILLION U.S. DOLLARS. OF THAT AMOUNT (A) \$442.6 MILLION WAS IN REGULAR CONCESSIONAL ASSISTANCE; (B) \$50 MILLION IN THE FORM OF AN EXPORT-IMPORT BANK LOAN; AND (C) \$235 MILLION IN LOCAL CURRENCIES GENERATED BY THE CONCESSIONAL SALES OF PL-480 AGRICULTURAL COMMODITIES. THE FINAL PAYMENT OF \$15.8 WAS MADE IN THE LAST FISCAL YEAR. AT THE TIME THAT THE EXECUTIVE BRANCH ASKED FOR THE \$15.8 MILLION FROM THE CONGRESS, IT WAS ON THE CONDITION THAT IT WOULD BE THE LAST REPEAT LAST TIME THAT AN APPROPRIATION WOULD BE SOUGHT FOR THE INDUS BASIN PROJECT, INCLUDING TARBELA DAM.

GRANTS AND LOANS MADE TO THE INDUS BASIN DEVELOPMENT FUND WERE GOVERNED BY TWO PROVISIONS OF THE FOREIGN ASSISTANCE ACT, SEC 301(A) AND SEC 302(B). SECTION 301(A) AUTHORIZED DISBURSEMENTS OF U.S. FUNDS BY THE WORLD BANK WHICH ADMINISTERED THE FUNDS ON BEHALF OF THE DONORS. THAT SECTION OF THE LAW DID NOT, HOWEVER, AUTHORIZE SPECIFIC CONTRIBUTIONS OF FUNDS FOR SPECIFIC

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FISCAL YEARS. THAT AUTHORITY WAS CONTAINED IN SEC. 302 OF THE ACT. SEC 302 HAS SINCE EXPIRED. THUS THE U.S. GOVERNMENT IS WITHOUT ANY CURRENT LEGAL AUTHORITY TO OFFER A CONTRIBUTION TO REPAIRS TO THE TARBELA DAM, AT THIS TIME.

THE ADMINISTRATION HAS NOT SEEN FIT, UP TO THIS TIME, TO ASK THE CONGRESS FOR THE ADDITIONAL AUTHORITY TO CONTRIBUTE TO TARBELA REPAIRS. IT IS RELUCTANT TO DO SO FOR TWO REASONS:

FIRST, BECAUSE OF THE EARLIER PLEDGE TO THE CONGRESS THAT THE 1977 CONTRIBUTION WOULD BE THE LAST.

SECOND, THERE IS CONSIDERABLE DOUBT WHETHER SUCH A REQUEST OF CONGRESS WOULD BE PRODUCTIVE. THUS, THE DELEGATION OF THE UNITED STATES IS UNABLE TO MAKE A COMMITMENT HERE TODAY.

WE CAN ASSURE THE GOVERNMENT OF PAKISTAN AND THE OTHER DONORS THAT WE WILL BE KEEPING IN CLOSE TOUCH WITH THE SITUATION, HOWEVER, AND WOULD BE PREPARED TO REVIEW THIS POSITION SHOULD THERE BE CHANGES IN THE OBJECTIVE SITUATION IN THE MONTHS AHEAD."
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